

City of Alexandria, Virginia

MEMORANDUM

11
1-28-03

DATE: JANUARY 15, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
DECEMBER 31, 2002

ISSUE: Receipt of the City's Monthly Financial Report for the period ending December 31, 2002.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending December 31, 2002.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2002 through December 31, 2002. This report presents revenues and expenditures for the same period for Fiscal Year 2002 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3) and the details of State revenue reductions to the City (Attachment 4). FY 2003 revenues through December 31, 2002, in the amount of \$186.4 million, represent an increase of 5.5 percent above last year. General Fund expenditures through the end of December total \$165.5 million, or 8.1 percent higher than expenditures at the same time last year.

At this time it is too early to project in detail how overall FY 2003 actual revenues will compare to budgeted revenues. While collections for real estate and personal property appear likely to meet or exceed budgeted growth expectations, other local taxes and State aid revenues remain in question. Economic reports from various organizations which collect and issue economic data, such as the U.S. Department of Labor, George Mason University, the Fairfax County government, and the office of the Secretary of Finance of the Commonwealth of Virginia, all indicate that the State and regional economies continue to falter largely due to higher unemployment and reduced consumer and business spending. City employment, office occupancy, home sales and building permits are all lower than a year ago at this time. In general, these rates have improved since June 30, 2002, but not enough to equal or better the situation the City experienced in FY 2001. As a result, and as was the case in FY 2002, City staff will need to continue to monitor revenues very carefully in order to keep the City's budget in balance. However, because of concerns about the economy and the State revenue reductions, I have directed the non-public safety departments to develop a plan not to spend 3% of their FY 2003 operating budgets, and requested the public safety departments to plan not to spend 3% of their FY 2002 non-personnel budgets.

REVENUES (Attachment 1): As of December 31, 2002, actual General Fund revenues totaled \$171.9 million, an increase of \$9.7 million, or 5.5 percent, as compared to revenues for the same period last year. More than 90% of this increase is due to expected real estate tax collections, with only about 10% coming from other sources. Unless otherwise noted, revenues reflect normal trends.

Real Estate Taxes: Second half real estate taxes were due November 15. Revenues to date are \$8.9 million, or 11.3 percent, higher than collections at this time last year. As projected in the 2003 Budget, real estate billings for the second half calendar 2002 totaled \$90 million, or 12 percent higher than billings in the prior year. The difference between the revenue collected and amount billed relates to the timing of the collection of delinquent taxes. As discussed at the October City Council Retreat and at the January 14 City Council meeting, current real estate sales trends indicate that calendar year 2003 initially projected tax base growth of 5 percent will be much higher than budgeted. While all 2003 assessments are not finished, it appears that residential assessments will likely be higher than the estimates (presented at the City Council Retreat) of a 14% increase for the average single family dwelling and a 16% increase for the average condominium.

Personal Property Taxes: Personal property tax bills were mailed in August and were due on October 7, 2002. The FY 2003 Approved Budget includes a \$31.2 million revenue projection for tax revenue collected directly by the City (including \$15.8 million for vehicles and \$15.4 million for businesses) and includes an additional \$22.0 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2003 is \$53.2 million.

Through December 31, the City has collected \$29.6 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$20.9 million for total personal property tax receipts of \$50.5 million. This represents a \$1.2 million increase when compared to receipts collected at the same time last year. It appears that the total budgeted revenues related to the personal property (\$53.2 million) tax will be achieved. However, it is clear from the billings that the rate of assessment growth in the vehicle portion of the tax base has slowed from prior years.

Personal Property Tax (in millions)	Budget FY 2003	Actual to Date FY 2003	Actual to Date FY 2002
City share	\$ 31.2	\$ 29.6	\$ 29.3
Commonwealth reimbursement	<u>22.0</u>	<u>20.9</u>	<u>20.0</u>
Total	\$ 53.2	\$ 50.5	\$ 49.3

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in December represent revenues collected by merchants in October. Year-to-date revenues do not show a clear trend. For example, while August 2002 sales showed a 17% increase over August 2001 sales, October 2002 sales showed a 4% decline compared to October 2001 sales. It should be noted that sales tax reporting by companies and administration by the Virginia Department of Taxation make comparisons difficult for just a few months of data.

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. The consumer utility tax revenue in this report represents utility services provided to consumers through October.

City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2003 Year to Date Receipts	FY 2002 Year to Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$2,705,661	\$2,674,027	\$31,634
Electricity	2,293,698	1,827,714	465,984
Water	860,370	841,162	19,208
Natural Gas	790,229	776,787	13,442

FY2003 revenues
include one payment
paid early

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$1.7 million, represent quarterly payments, filings by new businesses and payments on delinquent accounts.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels through November 2002. Collections total \$2.3 million, an increase of \$0.2 million or 9.1 percent over November 2001. However, since Reagan National Airport was closed for a period of time beginning on September 11, 2001, this large percentage increase through November 2002 was expected and was budgeted. The \$2.3 million collected to date remains less than the \$2.6 million collected for the same period in FY 2001 (two years ago). Full service and mid-range hotels experienced a slight increase in revenue compared to last year, but budget and extended stay hotels are still somewhat lower than last year.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Circuit Court and remitted to the City the following month. Collections, in the amount of \$1.4 million, increased \$0.3 million, or 29.3 percent, over collections at this time last year. The

increase is primarily attributable to residential refinancings due to continued historically low mortgage interest rates.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes. The decrease in revenue to date represents a timing difference in the collection of telecommunications taxes and a decrease in the number of reported lines for E-911 taxes. Staff is working with the telephone companies to determine the cause for the decrease in reported lines.

Revenue from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$2.4 million for housing federal prisoners through the period ending December 31, 2002. As of December 31, \$1.8 million has been received. The federal government generally pays the City for housing federal prisoners 45 to 60 days after the end of the billing period.

Revenue from the Commonwealth: The \$7.9 million in revenues received to date is substantially the same as last received for the same period in FY 2002. This is expected to change however, as state revenue reductions are realized. Current FY 2003 State revenue reduction estimates for the City in the amount of \$1.1 million are detailed in a chart (provided to City Council on January 14) in Attachment 4. Expected revenue losses include substantial reductions in per diem jail reimbursement, as well as in ABC/wine tax distributions. City departments impacted by the reductions have prepared savings plans which will identify spending reductions in FY 2003 to adjust to the loss of State revenue.

Fines and Forfeitures: Increased revenues primarily represent collections for parking tickets and red light fees. These collections were lower in FY 2002 as a result of the events following September 11.

Licenses and Permits: Revenues decreased \$0.7 million, or 32.7 percent, below collections at this time last year. This decrease is attributable to fewer new residential and commercial building permits issued in FY 2003 than in FY 2002.

Charges for Services: Revenue for charges for services increased 6.3 percent, as a result of Council action to increase the fees paid by the development community in order to better recover costs.

Revenue from Use of Money and Property: Year-to-date interest revenues decreased \$1.1 million compared to last fiscal year, largely due to declining market interest rates on City short-term investments. This large decrease in market interest rates is reflected in the federal fund rate reduction from 1.89 percent in December 2001 to 1.16 percent in December 2002. As a result, it is expected that interest revenues will fall significantly short of budget expectations in FY 2003.

Other Revenue: Other revenues include gifts and donations, damage recoveries and recovered costs.

EXPENDITURES (Attachment 2): As of December 31, 2002, actual General Fund expenditures totaled \$165.5 million, an increase of \$ 12.4 million, or 8.1 percent, over expenditures for the same period last year. The Approved General Fund Budget is 6.6 percent higher than FY 2002. Unless noted below, the increase in expenditures over that budgeted is attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year and a budgeted increase in cash capital. Except as noted below, this expenditure pattern reflects the Approved FY 2003 Budget.

Judicial Administration: Expenditures represent the third quarter payments to regional organizations that provide legal, correctional and animal welfare and control services.

Other Planning Activities: General Fund expenditures in this category reflect third quarter contribution payments to community agencies, and full year payment to the Alexandria Convention and Visitors Association.

City Attorney: Expenditures to date reflect outside legal fees which are budgeted in a non-department account and charged to the City Attorney's office. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

Human Services: Expenditures reflect additional costs associated with providing child and youth services. This cost will be covered by the departments unused cash match transfers.

Recreation: Expenditures reflect seasonal employee costs incurred during the summer.

Schools: The School Administration has reported \$59.0 million in expenses through December 31, 2002. The City's General Fund share of total School Administration budgeted expenditures is approximately 77.8 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures to date in the amount of \$45.9 million (i.e. 77.8 percent of \$59.0 million).

Other Educational Activities: General Fund expenditures in this category reflect third quarter contribution payment to the Northern Virginia Community College.

Non-Departmental: General Fund expenditures in this category reflect the City's contributions to the closed public safety pension plan, senior citizens' rent relief, payment for liability insurance premiums, and the City's share of debt service on the Northern Virginia Transportation District bonds.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share of funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

Attachment 4 - State Budget Reductions Affecting the City of Alexandria: FY 2003

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2002 AND DECEMBER 31, 2001

	FY2003 APPROVED BUDGET	FY2003 REVENUES THRU 12/31/02	% OF BUDGET	FY2002 REVENUES THRU 12/31/01
General Property Taxes				
Real Property Taxes.....	\$ 176,572,000	\$ 87,645,395	49.6%	\$ 78,773,860
Personal Property Taxes.....	31,184,000	29,610,966	95.0%	29,253,992
Penalties and Interest.....	1,100,000	837,542	76.1%	813,013
Total General Property Taxes	<u>\$ 208,856,000</u>	<u>\$ 118,093,903</u>		<u>\$ 108,840,865</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 21,300,000	\$ 7,030,732	33.0%	\$ 6,569,641
Consumer Utility Taxes.....	17,100,000	6,649,958	38.9%	6,119,690
Business License Taxes.....	21,900,000	1,731,036	7.9%	1,724,142
Transient Lodging Taxes.....	5,250,000	2,347,929	44.7%	2,151,456
Restaurant Meals Tax.....	8,700,000	3,468,821	39.9%	3,267,149
Tobacco Taxes.....	1,600,000	715,122	44.7%	692,380
Motor Vehicle License Tax.....	2,300,000	2,105,731	91.6%	2,070,357
Real Estate Recordation.....	1,500,000	1,388,876	92.6%	1,074,329
Other Local Taxes.....	4,468,000	855,486	19.1%	1,352,667
Total Other Local Taxes	<u>\$ 84,118,000</u>	<u>\$ 26,293,691</u>	31.3%	<u>\$ 25,021,811</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,380,000	\$ 1,780,286	40.6%	\$ 2,204,025
Personal Property Tax Relief from the Commonwealth.....	22,040,000	20,899,843	94.8%	20,016,437
Revenue from the Commonwealth.....	19,485,800	7,937,408	40.7%	7,981,799
Total Intergovernmental Revenues	<u>\$ 45,905,800</u>	<u>\$ 30,617,537</u>	66.7%	<u>\$ 30,202,261</u>
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,882,000	\$ 2,067,486	53.3%	\$ 1,782,906
Licenses and Permits.....	4,000,000	1,527,832	38.2%	2,270,548
Charges for City Services.....	9,863,800	4,375,091	44.4%	4,117,322
Revenue from Use of Money & Property.....	6,550,500	3,060,049	46.7%	4,206,835
Other Revenue.....	929,480	323,350	34.8%	282,304
Total Other Governmental Revenues	<u>\$ 25,225,780</u>	<u>\$ 11,353,808</u>	45.0%	<u>\$ 12,659,915</u>
TOTAL REVENUE	<u>\$ 364,105,580</u>	<u>\$ 186,358,939</u>	51.2%	<u>\$ 176,724,852</u>
Appropriated Fund Balance				
General Fund.....	9,816,624	-	0.0%	-
Reappropriation of FY 2002 Encumbrances And Other Supplemental Appropriations.....	4,532,090	-	0.0%	-
TOTAL	<u>\$ 378,454,294</u>	<u>\$ 186,358,939</u>	49.2%	<u>\$ 176,724,852</u>

50.0% of Fiscal Year Completed
48.07% of Payrolls Processed

Attachment 2

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2002 AND DECEMBER 31, 2001

FUNCTION	FY2003 APPROVED BUDGET	FY2003 EXPENDITURES THRU 12/31/02	% OF BUDGET	FY2002 EXPENDITURES THRU 12/31/01
Legislative & Executive.....	\$ 4,737,409	\$ 2,077,940	43.9%	\$ 1,927,256
Judicial Administration.....	\$ 26,587,007	\$ 13,966,173	52.5%	\$ 12,205,415
Staff Agencies				
Information Technology Services.....	\$ 6,463,714	\$ 2,466,879	38.2%	\$ 2,805,646
Management & Budget.....	913,849	344,293	37.7%	298,411
Finance.....	7,513,026	3,262,796	43.4%	3,175,891
Real Estate Assessment.....	980,950	365,605	37.3%	356,759
Personnel.....	2,285,897	1,029,974	45.1%	955,514
Planning & Zoning.....	3,416,384	1,430,812	41.9%	1,158,856
Other Planning Activities.....	2,194,945	1,935,377	88.2%	1,834,152
City Attorney.....	1,402,831	819,548	58.4%	772,803
Registrar.....	904,969	410,713	45.4%	407,154
General Services.....	9,060,617	4,558,547	50.3%	4,283,002
Total Staff Agencies	\$ 35,137,182	\$ 16,624,544	47.3%	\$ 16,048,188
Operating Agencies				
Transportation & Environmental Services....	\$ 22,268,685	\$ 10,369,656	46.6%	\$ 9,481,932
Fire.....	26,772,124	13,255,409	49.5%	12,603,759
Police.....	37,962,793	18,757,083	49.4%	17,383,383
Transit Subsidies.....	3,688,778	942,779	25.6%	1,052,244
Housing.....	1,187,283	425,263	35.8%	370,826
Mental Health/Mental Retardation/				
Substance Abuse.....	601,688	378,064	62.8%	348,734
Health.....	7,169,160	2,360,283	32.9%	1,934,485
Human Services.....	7,088,476	3,630,538	51.2%	3,497,622
Historic Resources.....	2,247,776	1,056,347	47.0%	934,788
Recreation.....	15,054,261	7,808,595	51.9%	7,352,239
Total Operating Agencies	\$ 124,041,024	\$ 58,984,017	47.6%	\$ 54,960,012
Education				
Schools.....	\$ 115,329,680	\$ 45,887,416	39.8%	\$ 42,856,329
Other Educational Activities.....	13,246	9,935	75.0%	9,692
Total Education	\$ 115,342,926	\$ 45,897,351	39.8%	\$ 42,866,021
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 17,739,094	\$ 8,383,591	47.3%	\$ 8,645,369
Non-Departmental.....	7,593,250	2,929,834	38.6%	2,403,376
Cash Capital.....	14,200,000	14,200,000	100.0%	12,020,000
Contingent Reserves.....	950,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 40,482,344	\$ 25,513,425	63.0%	\$ 23,068,745
TOTAL EXPENDITURES	\$ 346,327,892	\$ 163,063,450	47.1%	\$ 151,075,637
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	27,292,202	-	0.0%	-
Transfer to DASH.....	4,834,200	2,417,100	50.0%	2,041,415
TOTAL EXPENDITURES & TRANSFERS	\$ 378,454,294	\$ 165,480,550	43.7%	\$ 153,117,052

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**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<u>Consumer Price Index (CPI-U)</u>			
for the Washington-Baltimore, DC-MD-VA-WV Area			
(As of November 30, 2002)	114.0	110.9	+2.8%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
Alexandria	2.8%	4.2%	-33%
Virginia	3.6%	4.2%	-14%
(As of November 30, 2002)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
United States	6.0%	5.8%	+3%
(As of December 31, 2002)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>Interest Rates</u>			
(As of December 31, 2002)			
Prime Rate	4.25%	4.75%	-11%
Federal Fund Rate	1.16%	1.89%	-39%
(Source: SunTrust Economic Monitor)			
<u>New Business Licenses</u>			
(During December)			
(Source: Finance Department, Business Tax Branch)	52	72	-28%
<u>Office Vacancy Rates</u>			
(As of September 30, 2002)			
Alexandria	10.7%	8.6%	+24%
Northern Virginia	16.9%	11.0%	+54%
Washington DC Metro Area	12.8%	8.6%	+49%
(Source: Grubb & Ellis)			
<u>New Commercial Construction</u>			
(As of November 30, 2002)			
Number of New Building Permits	5	11	-55%
Value of New Building Permits	\$69.9 million	\$33.1 million	+112%
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(for the twelve months ended September 30, 2002)			
Residential Dwelling Units Sold	2,890	3,092	-7%
Average Residential Sales Price	\$278,532	\$246,914	+13%
(Source: Department of Real Estate Assessments)			

Attachment 4: State Budget Reductions Affecting the City of Alexandria: FY 03-04¹

Program ²	Existing Appropriation 03	Estimated Reduction 03	Existing Appropriation 04	Estimated Reduction 04
1. HB 599	\$6,110,429	\$192,841	\$6,110,429	\$192,841
2. Jail prisoner per diems ³	\$760,000	\$111,895	\$760,000	\$198,416
3. ABC/Wine Taxes	\$330,000	\$90,000	\$330,000	\$176,000
4. CSB	\$3,838,685	\$383,868	\$3,838,685	\$383,868
5. Commonwealth's Attorney	\$848,000	\$42,400	\$848,000	\$42,400
6. Finance	\$559,000	\$61,490	\$559,000	\$61,490
7. Clerk of Courts	\$839,000	\$92,290	\$839,000	\$92,290
8. Voter Registration	\$66,000	\$4,800	\$66,000	\$4,800
9. Aging	\$171,900	\$18,910	\$171,900	\$18,910
10. Arlandria Clinic	no reduction proposed in FY 03		\$112,500	\$16,875
11. Library	\$240,000	\$37,000	\$240,000	\$37,000
12. Litter Control	\$15,869	\$15,869	\$15,869	\$15,869
12. Project Discovery	\$70,000	\$10,500	\$70,000	\$10,500
13. SBDC State funds ⁴	\$23,000	\$23,000	\$23,000	\$23,000
15. Lloyd House	\$28,371	\$4,256	Funds for these items were appropriated for FY 03 only.	
16. Hydrilla	\$14,185	\$2,128		
17. Fort Ward	\$28,371	\$4,256		
ESTIMATED TOTAL REDUCTION (as of 1/13/03)		\$1,095,503	N.A.	\$1,274,259

¹ All figures are estimates, based on information received from the State thus far; since we have received more information on FY 03 than FY 04, the FY 03 estimates are generally more accurate. Note that three items that were shown as budget reductions in earlier reports to Council no longer remain on this list: (1) the Northern Virginia Juvenile Detention Home (NVJDH) will not see its state aid reduced, since a change in the distribution formula for aid to local juvenile detention facilities resulted in increased revenue for NVJDH; (2) state fund reductions for local social service programs have been replaced with federal funds; and (3) the state no longer plans to capture revenues from taxes on rental vehicles.

Funds for Homeless Intervention programs and the Court Services Unit will also be reduced by unknown amounts. Funding for local post-release programs for prisoners is being completely eliminated.

² Funds appropriated to Alexandria City Schools are also being reduced, by approximately \$730,000 in FY 03 and \$952,000 in FY 04. This reduction has not been included in the above table, however, since it is due entirely to decreased student population and changes to sales tax revenue distributions; the Governor has proposed no reductions in state aid to education.

³ In addition to the reduced revenue from per diem payments for prisoners held at the Alexandria jail (shown here), the City will see an additional, but smaller, reduction in per diems paid for prisoners at the Peumansend Creek Regional Jail.

⁴ The Small Business Development Center also receives about \$145,000 in federal, City, and private funds; no reduction of these funds is proposed as a part of the Governor's plans.